

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral
SPONSOR: State Teachers' Retirement System

BILL NUMBER: SB 1376
AUTHOR: P. Wiggins

BILL SUMMARY: State Teacher's Retirement System

This bill would make non-substantive, technical and conforming amendments to the California State Teachers' Retirement System (CalSTRS) law. This bill would specify deadlines for the creditable compensation in relation to appropriations to the Teacher's Retirement Fund be estimated and reported annually to the Department of Finance (Finance) and the Legislature. This bill would also provide that if there is no spouse, and if there is a designated beneficiary, then upon termination of the survivor benefit allowance payable to all eligible dependent children, the allowance shall be paid to the member's designated beneficiary.

FISCAL SUMMARY

The CalSTRS staff indicate that the costs associated with this bill would be minor and absorbable.

We would point out that the clarification in regards to the timeline and calculation of the credible compensation could result in higher or lower General Fund costs to the Teacher's Retirement Funds than originally estimated in any given year, but this bill would simply put into law and clarify how to deal with those changes (these cost adjustments have been dealt with and adjusted on an individual basis in the past).

COMMENTS

The Department of Finance is neutral on this bill.

Every year, the state uses the creditable compensation to calculate (1) a total contribution of 2.017 percent, in quarterly payments, to the Defined Benefit (DB) program and (2) an annual contribution to the Supplemental Benefit Maintenance Account (SBMA) of 2.5 percent. CalSTRS calculates the prior year's creditable compensation, used for both contributions, each October and forwards this data to the Finance to support the state's contributions for the following fiscal year. This bill would change and specify the date that CalSTRS must report to Finance and Legislature from October 1 to October 25. In addition, it would allow CalSTRS to adjust the credible compensation amount, if adjustments are necessary, by April 15 of the following year and roll any changes found necessary after April 15 into the next fiscal year's contribution to the DB program and SBMA.

CalSTRS currently provides survivor benefits to the beneficiaries of members who die before retiring under Coverage B if the member joined CalSTRS after October 15, 1992 or elected coverage during the subsequent election period. Under Coverage B, an active member's surviving spouse or children may qualify to receive a monthly benefit in addition to the one-time death benefit (if named as the beneficiary). This bill would clarify that the balance of a deceased member's account may be paid to the member's designated beneficiary upon termination of all children's allowances. This action parallels the action taken under Coverage A; which provides that upon termination of family allowance prior to the payment of allowance equal to the member's accumulated contributions, the balance shall be paid to the member's beneficiary.

Analyst/Principal (0930) K. Hansen	Date	Program Budget Manager Diana Ducay	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

P. Wiggins

Original

SB 1376

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
6300/Teach Retire	SO	No	-----	See Fiscal Summary				-----	0001
1920/STRS	SO	No	-----	No/Minor Fiscal Impact				-----	0835

Fund CodeTitle

0001

General Fund

0835

Teachers' Retirement Fund